

Central Intelligence Agency  
Washington, D.C. 20505

11 May 1982

Executive Director

NOTE FOR: Fred Demech  
Deputy Executive Director, PFIAB

FROM: Executive Assistant/Executive  
Director

Fred,

Mr. Abshire's task force recently  
asked for a number of publications on  
Mexico. They might find this one of  
interest.



Attachment

STAT

CONFIDENTIAL

*This memo prepared by  
ALA in response to  
request by Judge Clark*

9 May 1982

## MEMORANDUM

SUBJECT: Mexico: Deteriorating Economic Situation

Summary

Mexico's economic and financial trouble could spill over into the social and political area, if it is not soon resolved. To begin to solve the economic problems tough austerity must be enforced soon. Mexico City, however, will go to great lengths to avoid taking the harsh measures needed to stabilize the economy before the national elections scheduled for 4 July. Meanwhile, short-term strategies could include substantial further devaluation or freezing dollar accounts in Mexico and imposing import and exchange controls. Mexican economic setbacks would have consequences for the United States including financial strain on US banks, slowed US exports to Mexico, and increased illegal migration and narcotics shipments. [ ]

25X1

Financial Pressure and the Devaluation

The oil boom of 1977 to 1981 is over, and has left in its wake galloping inflation and huge debt payments obligations. After eight percent economic growth annually over the past four years, total Mexican debt soared to \$67.5 billion at the end of last year. Mexico City refused to adopt any stabilization measures. In fact, seeking to end his presidential term without slowing the economy, Lopez Portillo last November presented a 1982 budget with a continued rapid expansion in government spending and a \$40 billion public sector budget deficit (equal to 16 percent of Mexico's Gross National Product). [ ]

25X1

In late 1981 Mexico City began to encounter mounting foreign lender resistance. Factors in the growing concern were: (a) the effect of the soft world oil market on Mexico's oil receipts, (b) the huge jump in debt service obligations caused by the sheer size of the foreign debt and higher international interest rates, and (c) soaring budget deficits and inflation. [ ]

25X1

25X1

CONFIDENTIAL